

**View from the Ground:
The Project Manager
Perspective on Project Portfolio
Management Effectiveness**



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Key Findings

Organizations rely on project portfolio management (PPM) to evaluate, prioritize, approve, implement and manage projects to meet their strategic and financial goals. This study provides an analysis of PPM maturity and challenges within organizations around the globe from the project and program manager level. Its unique, bottom-up perspective offers insight into the factors that lead to successful implementation of strategic direction, as well as potential areas for action. The following are among the highlights drawn from the recent survey of project and program managers conducted in the United States, Europe, the Middle East and Asia:

- The focus on PPM is increasing and PPM improvement is even more critical in the face of the economic downturn
- More than half of commercial organizations and more than three-quarters of public sector organizations struggle with their PPM process due to lack of experience, tools or process
- An overwhelming majority of project managers report redundancies and conflicts in their project portfolios
- Project reviews are not uniformly performed; and when they are conducted, many respondents claim *nothing happens*

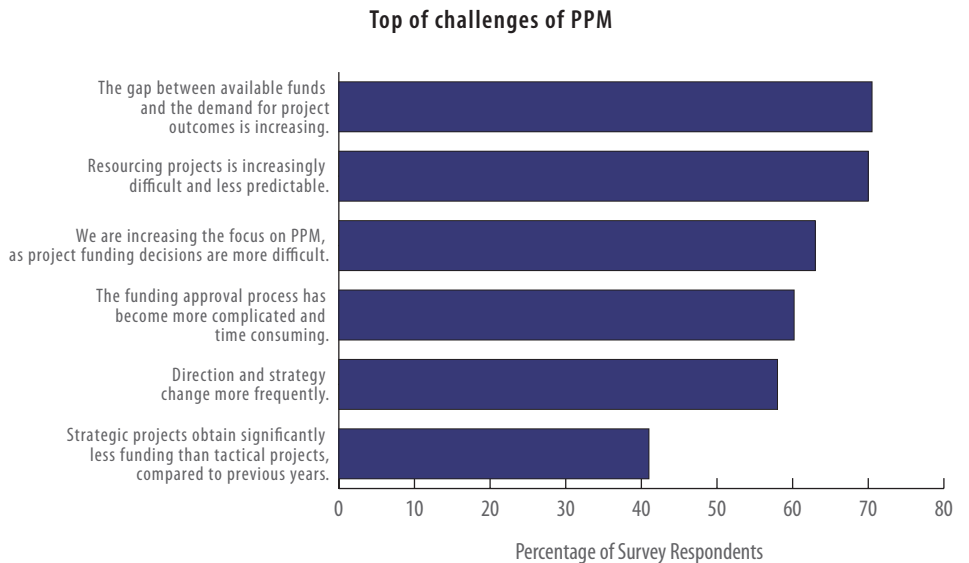
Overcoming Challenges in PPM

Identifying the issues and challenges in the PPM process from the level of execution provides critical insight necessary to improve the fundamentals of the PPM process and achieve success. This survey reveals specific PPM gaps and challenges on the rise and highlights the one question that all PPM executives face, "How is the current economic environment affecting the projects in my portfolio?"



Survey Response Summary

Top Challenges of PPM in the Current Economic Environment



PPM's Growing Role

The focus on PPM is growing as current economic conditions put added pressure on the PPM process to manage funding, project outcomes, project resourcing, and portfolio direction and strategy. According to 62 percent of all survey respondents, the focus on PPM is increasing as project funding decisions are more difficult. In the U.S. government sector, 79 percent of survey respondents agree that the role of PPM is increasing.

Gaps Between Funding and Outcome Demand

Not surprisingly, in the current economic environment the majority of PPM project and program managers observe a disparity between resource availability and requests for project results to be delivered. Globally 70.5 percent of survey respondents agree that the gap between available funds and the demand for project deliverables is increasing.

Funding Approval

The funding approval process has become more complicated and time consuming for 60 percent of global survey respondents. In the commercial sector, we observe a significant



reduction of funding for projects and the requirement for a higher-level funding approval as one of the root causes. Conversely, several entities of the U.S. government face the challenge of managing significantly larger project funds as a result of economic stimulus activities. The percentages skew higher in the U.S. government sector and Asia, at 79 percent and 71 percent, respectively.

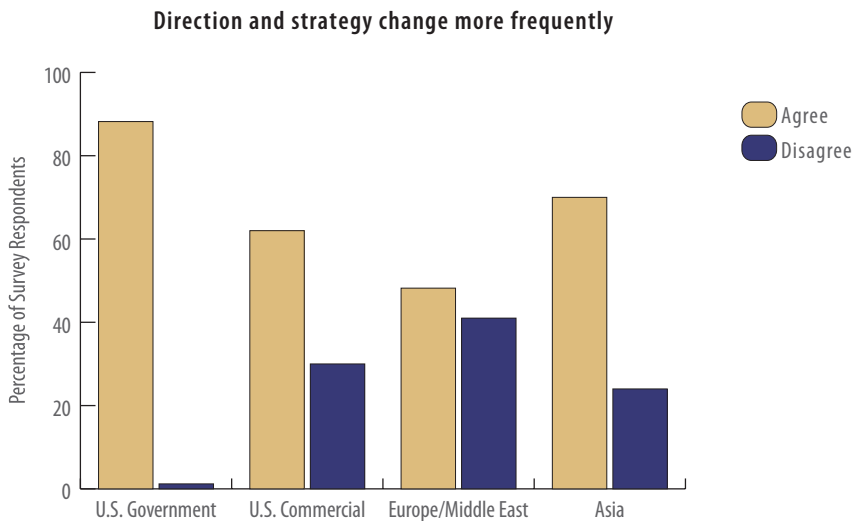
Resourcing Challenges

Resourcing projects is another significant challenge to managing project portfolios. Seventy percent of survey respondents agree that resourcing projects is increasingly difficult and less predictable. In the U.S. government sector 100 percent of survey respondents agree.

Changes in Portfolio Direction and Strategy

PPM managers operate in a constantly shifting environment in the current recessive economic climate, as 58 percent of global survey respondents agree that their PPM direction and strategy change more frequently. From the geographies surveyed, Europe/Middle East appears to be least affected:

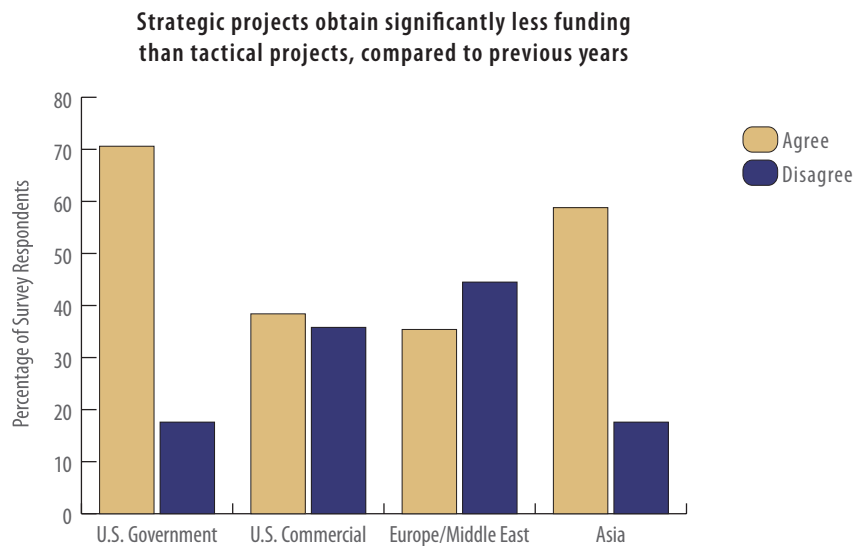
- 88% – U.S. government sector
- 62% – U.S. commercial sector
- 70% – Asia
- 48% – Europe/Middle East



Greater Tactical vs. Strategic Focus

Survey results show that short-term focus and tactical goals take priority over strategic objectives in most of the regions surveyed. When asked whether strategic projects obtain significantly less funding than tactical projects compared to previous years, 41 percent of global survey respondents agree. U.S. government and Asia survey responses were significantly higher:

- 70.6% – U.S. government sector
- 38% – U.S. commercial sector
- 59% – Asia
- 35% – Europe/Middle East



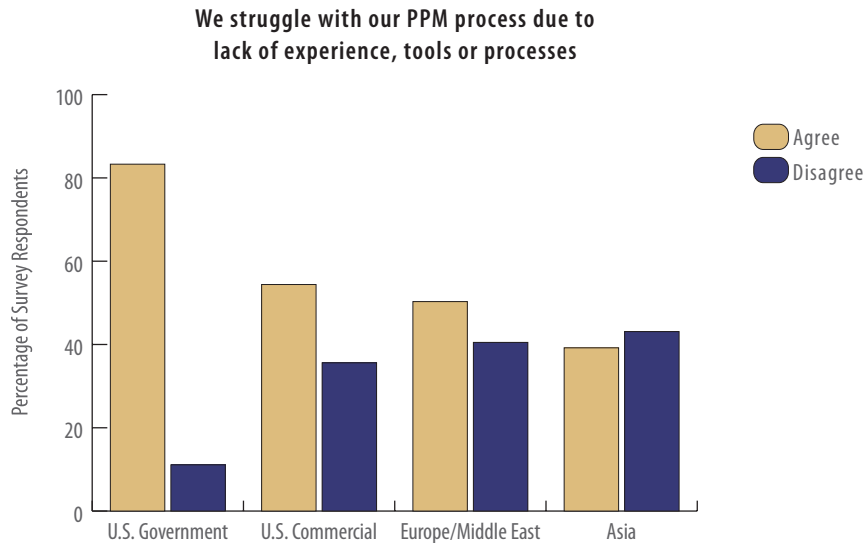
The Underlying Struggle in PPM Process

Survey responses indicate a need to close critical gaps in PPM skills, tools and process in order to better manage outcomes and delivery. Quality suffers—and PPM success is negatively impacted—when there is not appropriate knowledge levels, process formalization, support tools and consistent methods for project selection, approval and remedial action.



Core Issues Impacting PPM

We consider the balancing of people-, process- and tools-related efforts to be at the core of PPM process success. Globally, 52 percent of survey respondents agree that they



struggle with their PPM process due to lack of experience, tools or processes. The disconnect appears higher in the U.S. government and U.S. commercial sectors, where 83 percent and 54 percent, respectively, agree.

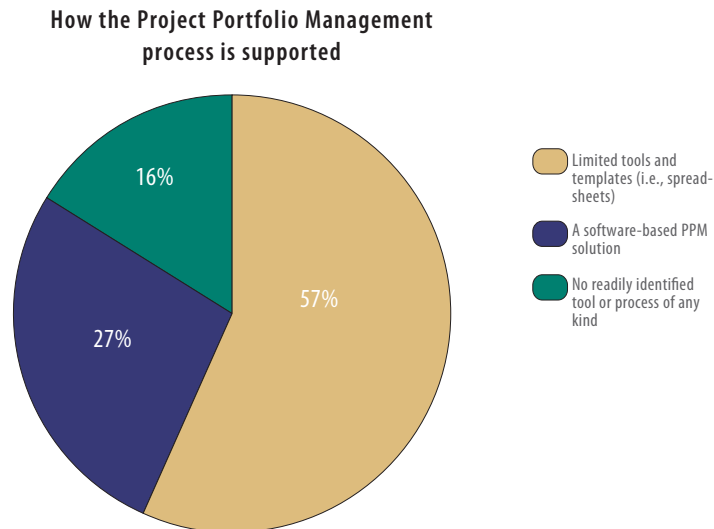
Staffing Impact on Project Success

To further explore the importance of the people-process-tools paradigm in the PPM process, survey respondents were asked about the impact of staffing issues on project success. Forty-eight percent of global survey respondents agree that project outcomes and delivery quality are suffering, as critical staff could not be retained, trained and developed adequately.



PPM Tools

The successful integration of adequate tooling into the PPM process is still in the nascent stage, as observed by most survey respondents. When asked which tools support their PPM process, the majority reported either no or limited tools and templates. Only 27 percent reported the use of a software-based PPM solution.



PPM Process Gaps

Reported redundancies and conflicts in project portfolios are clear examples of immaturity of the PPM process in practice. Improving some project and PMO management fundamentals, such as project reporting and issue escalation, will ensure greater effectiveness in the PPM process.

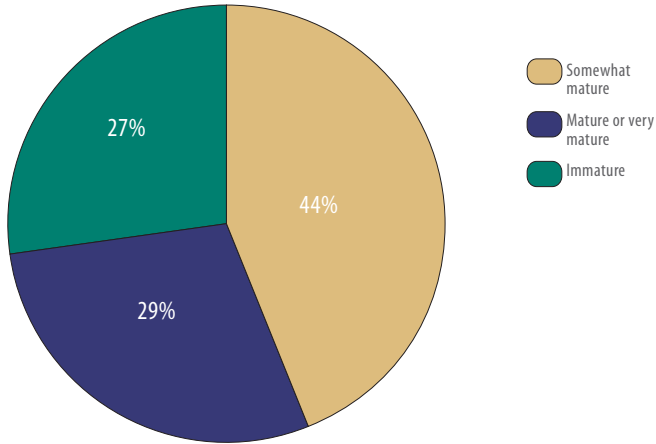
Questioned about specific PPM process issues, survey responses indicate deficiencies that invariably affect PPM success. Survey responses show gaps in the execution of the PPM process: from project screening through selection and approval, the management of the portfolio inventory, executive-level involvement and the management of project interdependencies.

PPM Process Maturity

In light of all challenges discussed before, the surveyed project and program managers rated the PPM process maturity of their organizations as follows:

- 29% – Mature or very mature
- 44% – Somewhat mature
- 27% – Immature

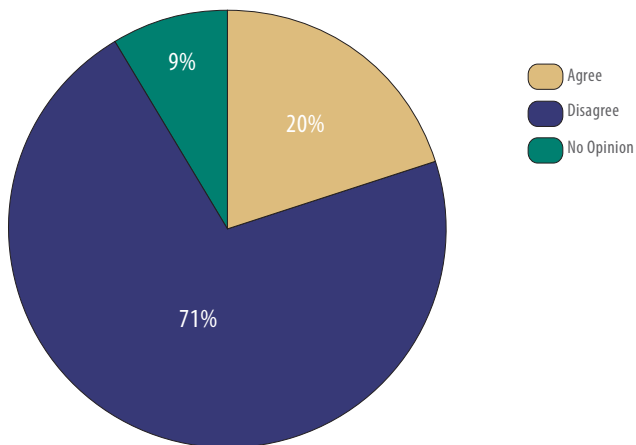
PPM process level of maturity



Project Redundancies and Conflicts

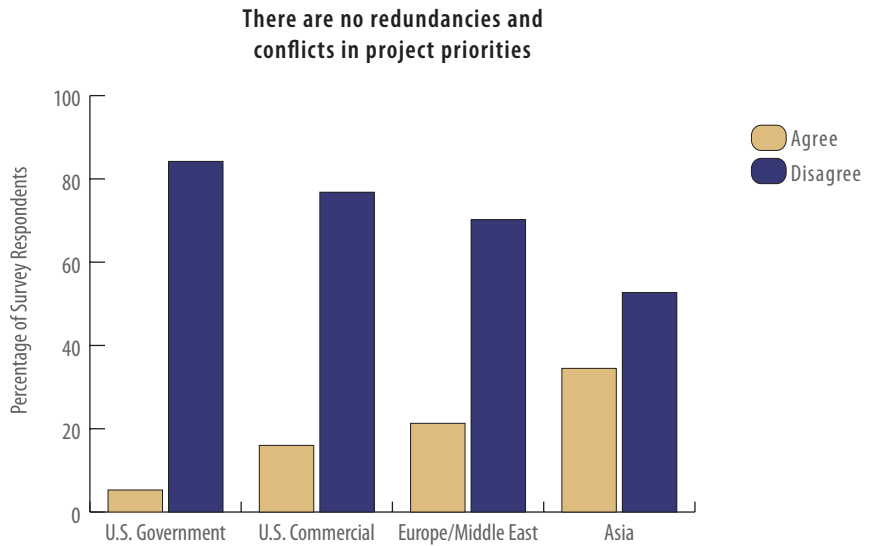
In one glaring example of PPM immaturity, 71 percent of global survey respondents report redundancies and conflicts in respect to project priorities.

There are no redundancies and conflicts in project priorities



A breakdown by region and sector shows significant agreement that project redundancies and conflict exist:

- 84% – U.S. government sector
- 76.8% – U.S. commercial sector
- 70% – Europe/Middle East
- 52.7% – Asia



The underlying issue of project redundancy was further explored in a question on project interdependence. Asked if dependencies between projects are clearly articulated and well understood, only 38.6 percent of global survey respondents agree that they are.

Portfolio Inventories

Just over half—55 percent—of global survey respondents say they have a complete portfolio inventory containing all projects. Fewer than half—46 percent—of respondents agree a consistent approach for screening, prioritizing, selecting and approving projects is both defined and applied in their PPM process.

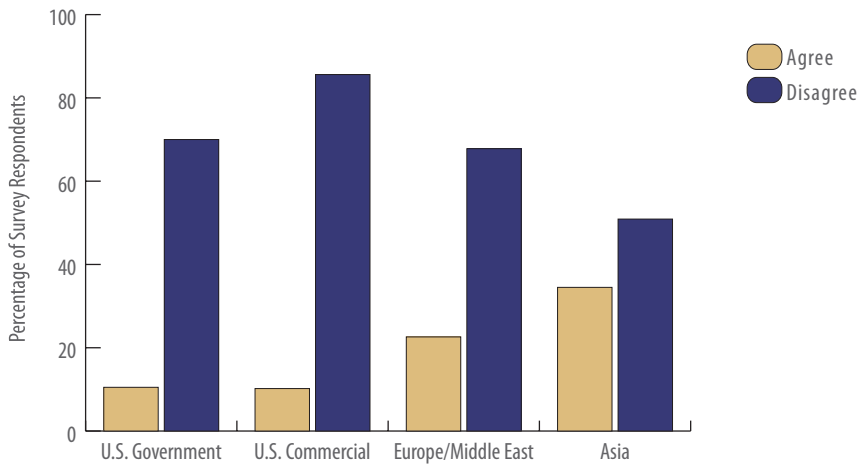
The Challenge to Manage Resources

Naturally, the surveyed audience of project and program managers is most sensitive to resource conflicts and work overload for critical resources, which is observed by 73 percent

of global survey respondents. The U.S. commercial sector has the highest percentage reporting resource conflicts and work overload among the regions surveyed:

- 85.6% – U.S. commercial sector
- 70% – U.S. government sector
- 67.8% – Europe/Middle East
- 50.8% – Asia

There are few or no resource conflicts and work overload for critical resources is the exception

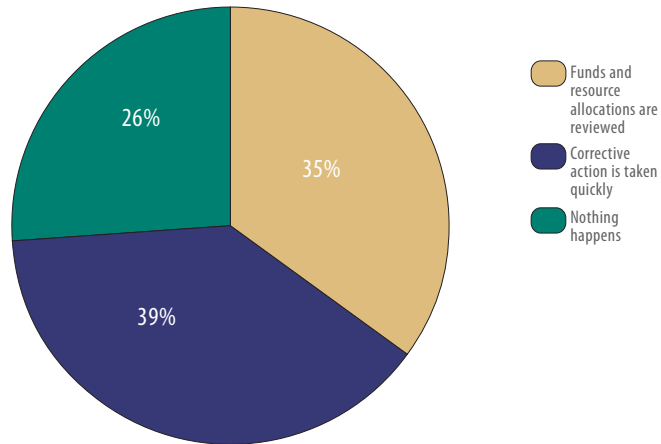


Focus on PPM Basics

Survey responses show that basic PPM prerequisites are often overlooked or underemphasized, and are indicative of the issues that hinder greater PPM process maturity. For example, 26 percent of global survey respondents say that upon completion of project reviews, nothing happens. The resulting inaction essentially negates the purpose and value of the review process. Corrective action is taken quickly as a result of the review process in only 39 percent of project reviews.

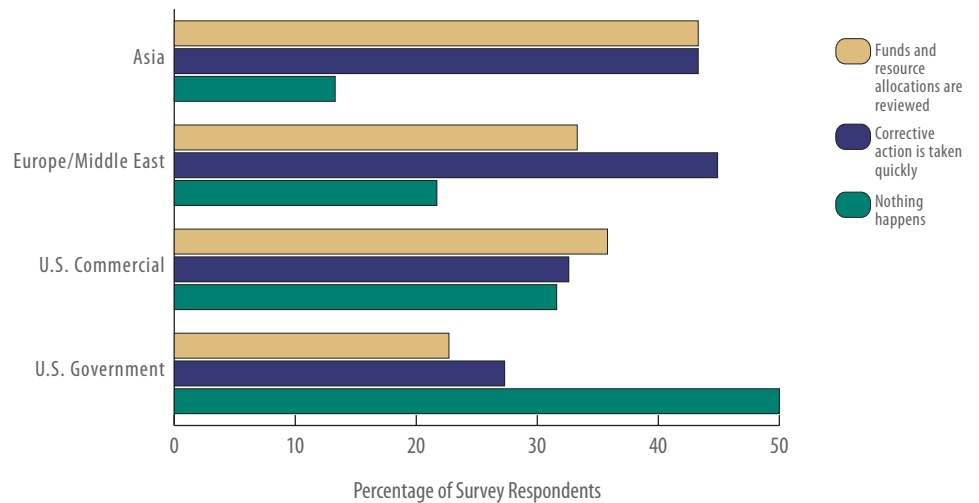


As a result of the project review



Among the U.S. government and U.S. commercial sectors respondents, 50 percent and 31.6 percent, respectively, report no action upon review completion.

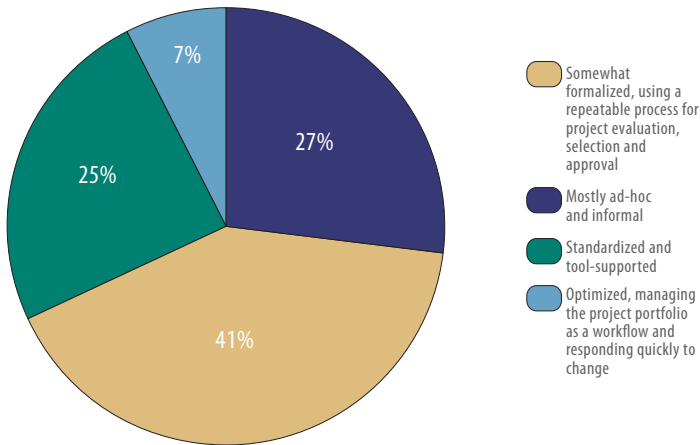
As a result of the project review



Global survey respondents further acknowledge the need for refinement in PPM process when describing their level of process optimization. Only 7.3 percent believe their PPM process is optimized. Survey respondents indicate the following levels of PPM process refinement in their organizations:

- 7.3% – Optimized, managing the project portfolio as a workflow and responding quickly to change
- 24.6% – Standardized and tool-supported
- 27.2% – Mostly ad hoc and informal
- 40.9% – Somewhat formalized, using a repeatable process for project evaluation, selection and approval

Our PPM process appears to be



How to Overcome Challenges in the PPM Process

Economic conditions are adding pressure and organizations are turning to PPM as a means to balance scarce financial and human resources with increasing demand for project deliverables. At the same time, survey results show improvement opportunities throughout the PPM process. We believe that the insights provided in this survey will help executives to review and balance their investments in the professional training of critical staff, and the improvement of PPM processes and tooling. This balancing will contribute to improvement in the PPM process and, ultimately, the achievement of overall strategic goals. A tool-centric approach will put the adoption of new and improved PPM processes at risk—a focus on process definition and the training of all PPM stakeholders has to be given equal attention.



Survey Methodology

ESI International sent an e-mail survey of 28 close-ended questions to project and program management professionals in the U.S. government sector, and commercial organizations in the U.S., Europe, the Middle East and Asia. The breakdown by region/sector of the 470 respondents who took the survey is as follows:

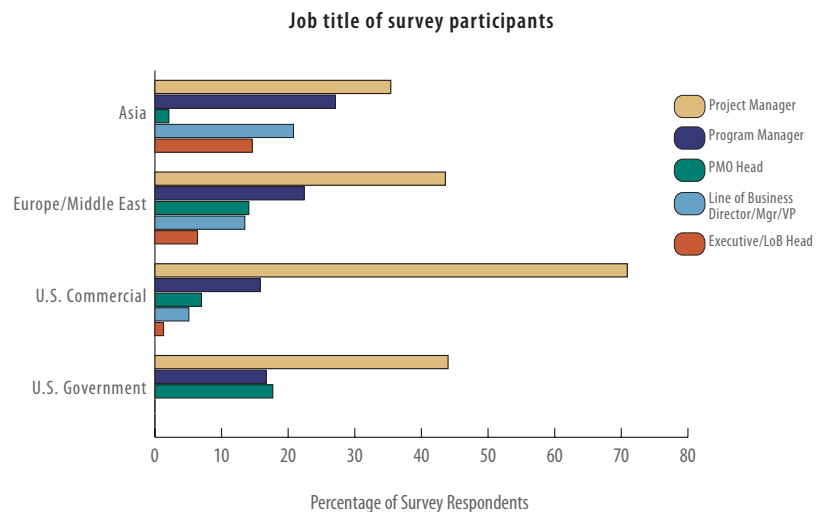
- 23 – U.S. government sector
- 189 – U.S. commercial sector
- 198 – Europe/Middle East
- 60 – Asia

Some questions have results totaling less than 100% due to a number of “don’t know” responses. Not all respondents answered every survey question. Their project portfolio size ranges from less than 10 to greater than 1,000 projects annually. Timing of the surveys is as follows:

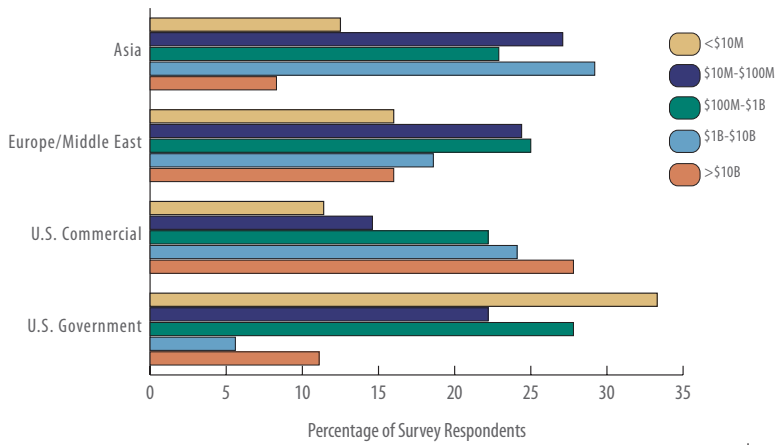
- U.S. commercial sector: April 24 – May 8, 2009
- U.S. government sector: April 27 – May 8, 2009
- Europe/Middle East: April 30 – May 8, 2009
- Asia: May 5 – 8, 2009

The survey was anonymous unless respondents wanted to receive the results, in which case they had to provide their name and contact information.

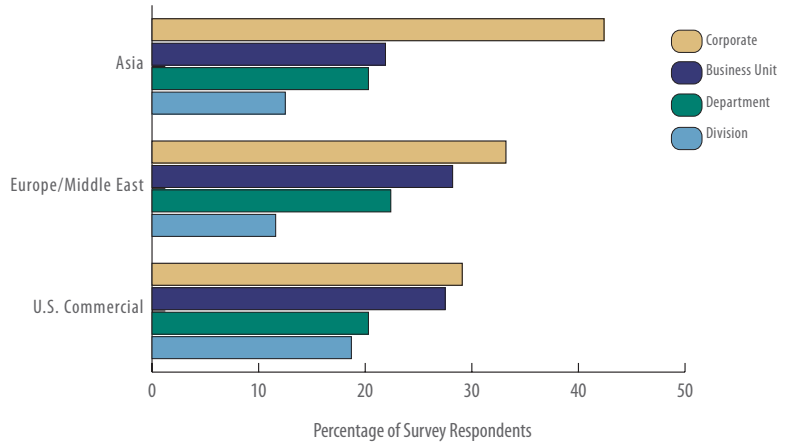
Survey Demographics



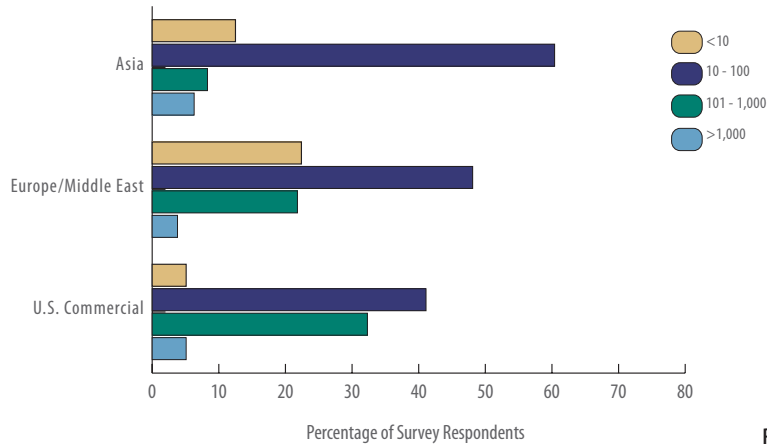
Annual company revenue/budget



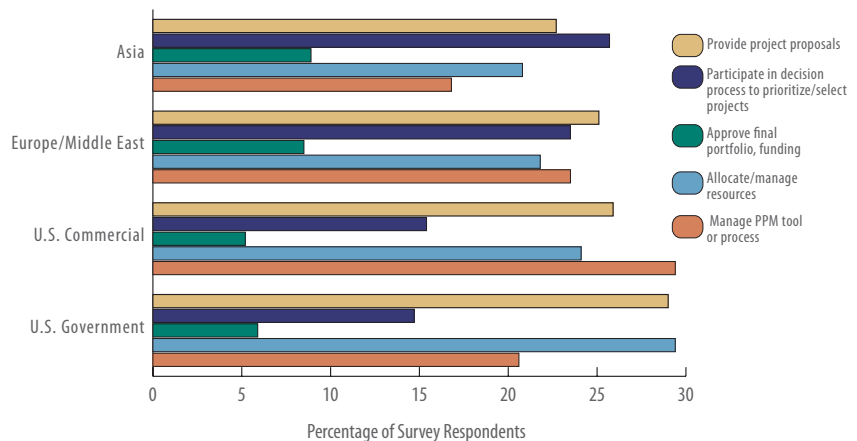
Organizational level at which Project Portfolio is defined and managed



Number of projects in the Project Portfolio per year



Role of survey participants in PPM process



The ESI Solution

ESI International, the leading provider of project management, program management, business analysis and contract management learning programs, has helped some of the world's most successful organizations drive results. Our top-quality training and consulting services have enabled domestic and international corporations and public agencies to enhance their employees' skills and talents and have improved their internal systems and processes. With the support of our educational partner, The George Washington University in Washington, DC, ESI has helped more than one million professionals and 1,000 clients worldwide achieve individual and organizational objectives.

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